



Firm Size, Market Risk, and Stock Return: Evidence from Indonesian Blue Chip Companies

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ABSTRACT

This study examines the influence of firm size and market risk on the stock return of Indonesian high reliable companies. The samples are companies listed on the LQ45 between 2015 and 2017. There are 45 companies have been selected or 196 observations. The data was obtained from the financial reports and analysed by using regression for panel data method, namely the common effect model and the Chow test. The results of this study demonstrated that firm size has an effect on the stocks return, while market risk does not have effect on the stocks return of the blue chip companies. The results of this study are expected to help investors in making proper investment decisions toward bluechip Indonesian companies.

Ukuran Perusahaan, Risiko Pasar, dan Tingkat Pengembalian Saham: Penelitian pada Perusahaan *Blue Chip* di Indonesia

ABSTRAK

Penelitian ini bertujuan untuk menguji pengaruh ukuran perusahaan dan risiko pasar terhadap return saham perusahaan *blue chip* di Indonesia. Sampel yang diambil terdiri dari 196 observasi dari perusahaan LQ45 yang terus bertahan dari periode 2015 sampai dengan 2017. Data penelitian didapatkan dari laporan keuangan perusahaan sampel yang telah dipilih. Penelitian ini menggunakan metode regresi data panel, yaitu model *common effect* dan uji Chow. Hasil dari penelitian ini menunjukkan bahwa ukuran perusahaan berpengaruh terhadap return saham, sedangkan risiko pasar tidak berpengaruh negatif terhadap return saham. Hasil penelitian ini diharapkan dapat membantu para investor dalam membuat keputusan investasi yang lebih baik terkait perusahaan *blue chip* di Indonesia.

1. Introduction

Indonesia is a country with progressive economic development and growing private investment. The capital market in Indonesia, known as the Indonesia Stock Exchange (IDX), has been serving as a platform for investors to engage in investment activities and source of

funding for businesses. The IDX offers various investment products and features to help investors in making the best investment decisions. In the IDX, stocks are classified into 24 indexes to provide better information for investors. One of the indexes is the LQ45. The LQ45 is one of the most referred indexes and it has a major influence

in IDX (Antou & Tasik, 2017). The movement of LQ45 stocks can lead to the change of other indexes, for example, the IDX composite index. The reason could be that most of the LQ45 companies are well-established companies and considered as the Indonesian blue chip companies (Antou & Tasik, 2017). The LQ45 comprises of the most liquid and high market capitalization companies. There are 45 companies included in the index. The LQ45 companies earn good profit and consistently pay a dividend to investors (Darmaji & Fakhruddin, 2011).

Several factors that should be considered when investors making investment decisions (Sudiyatno & Irsad, 2011), including the size of the company and risk (Al-Mwalla & Karasneh, 2011). According to Koluku, Pangemanan, & Tumewu (2015), investors expect a higher return from companies which have sound financial performance. Another factor is a market risk which is likened with company size like two sides of a coin (Wijaya & Djajadikerta, 2017).

The firm size is an element that should be considered by investors to make a decision whether a company is small, medium, or large company. The criteria of firm size can be examined through its sale, the number of product, capital resources, and total asset (Jogiyanto, 2003). The firm size can affect the value of company to aid them in acquiring a funding investment. Large companies are very likely to have sufficient fund to support all their activities in making optimal profit. The size of the company in LQ45 is more preferably by investors (Koluku et al., 2015), considering that the LQ45 companies is companies with the best financial performance and good growth prospects so that it can provide more complete information to investors and has a low risk for their investment interest (Wijaya & Djajadikerta, 2017).

Several previous studies regarding the impact of firm size on stock return. The proxies used are divergent. Sudarsono & Sudiyatno (2014) found that firm size has positive significant influence

toward stocks return of real estate and property companies listed at the IDX. Similarly, the study of Acheampong, Agalega, & Shibu (2014) unveiled firm size affects positively stock return of manufacturing companies listed in Ghana Stock Exchange. On the contrary, Duy & Phuoc (2016) discovered negative effect of firm size on the stock return of services Companies in Ho Chi Minh Stock Exchange. Other studies also unveil that firm size does not influence the stock returns. See for example, (Abdullahi, Lawal, & Muhtar, 2011; Shafana, Rimziya, & Jariya, 2013; Yani & Emrinaldi, 2014).

The next variable needed to be considered by investor is the risk. One of the risks that should be well considered is market risk. Market risk reflects a condition where a company deals with changes on market condition and control which is unpredictable toward the changes of stock price (Mosey, Tommy, & Untu, 2016).

Market risk is the risk of loss in liquid portfolio arising from the movements in market prices and consisting of interest rate, currency, equity, and commodity risk (Ekinci, 2016). There have been many previous studies on the impact of risk towards stock return relationship that show divergent findings. For example, (Pamane & Vikposi, 2014) and (Buana & Haryanto, 2016) reported on their researches that market risk does not have influence on stock return. While Mwaurah, Muturi, & Waititu (2017) on the other hand, claimed in his research that market risk has a influence on stock return.

This research is aimed to examine the influence of firm size and market risk on stock return. The results would assist investors to evaluate and predict stock return of the LQ45 companies. Along with this research, mitigation risk of this research would be in-depth oversee whether the more liquidity of LQ45 stocks of companies has potential higher return facing either larger or smaller risk. Likewise, the LQ 45 companies are the most liquid of its shares and LQ 45 have a safe stock because the fundamental

performance of the stock is good so that the risk is low which will be as a reference in future time for investors on obtaining the return (Sambelay, Rate, & Baramuli, 2017).

Even though LQ45 companies have good standing listed companies in stocks exchange, it would not merely be qualified and always be profitable in terms of avoiding of market risk and stocks return achievement. Therefore, LQ45 stocks could not assure and guarantee of higher return in short run if the investors are doing buy and sell trading of LQ45 more frequent in high turnover stocks trading. It tends to be less profit and downgrading of return. It would be less beneficial for investor if the LQ45 companies to do such high turnover activity in stocks exchange.

2. Theoretical Framework and Hypothesis Development

Stock Return

Profit serves as the main motivation for investor (Dwialesi & Darmayanti, 2016). The expected profit rate is right in line with the risk faced by the investor. The return can be classified into yield and capital gain (loss). Yield is part of stock return that indicates the income gained, while capital gain (loss) is part of return that its rise and fall depend on stock's value which makes investor to gain profit or loss (Tandelilin, 2001). The types of return can be distinguished into two types, namely realized return and expected return. The realized return is a gained return that calculated through documented data. It is used to measure performance of company. The value of historical data is used to calculate matrix measurement of expected return and future risk (Arista & Astohar, 2012). The expected return is a return that is expected to be gained in the future. Thus, expected return and risk are two crucial information used by investor in making investment decision (Jogiyanto, 2003).

LQ 45 Index

Indonesia Stock Exchange is an official trade

facilitator for investor to invest in Indonesia. The Indonesia Trade Exchange offers various products for investors in performing investment activities. Besides the financial instrument for investment such as stocks and bonds, the Indonesia Trade Exchange also provides stock index called LQ45.

The LQ45 Index provides an additional option for investor in doing investment activities. It consists of 45 companies that have a high market liquidity and capitalization. The 45 companies have been joined the Indonesia Stock Exchange for at least three months and have maximum performance in regular market (Sambelay et al., 2017). The LQ45 applies a basic calculation concept that is the Aggregate Market Value of the total listed stocks on 13 July 1994 (Antou & Tasik, 2017). A company that shows a decline in performance will be replaced with a well performed stocks (Antou & Tasik, 2017).

The Influence of Firm Size on Stock Return

In making investment decision, each investor is required to consider firm size of the targeted company. The firm size can be categorized into three groups, they are large scale company, medium scale company, and small scale company. There are various measures used to specify the firm size. For example, it can be categorized based on total of asset, total of sales, stock market value, and many other measures which can affect investor judgment in doing investment (Rahmawati, Topowijono, & Sulasmiyati, 2015).

The firm size reflects the ability of company in dealing with the risk that lies ahead of it. A large scale company should have myriad resources in pushing up its value. The bigger company, the more competence to take it on controlling and competing in global market and economic competition. It made them look stronger in dealing with changes or economic development and becomes more popular among investors (Prasetyorini, 2013). This condition is caused by the high growth of large scale company, thus it

can affect the value and scale of company with possibility to gain benefit from its positive trend (Prasetia, Tommy, & Saerang, 2014). The bigger company the more popular it is in community. This condition makes the work to find investors for the company much easier. Investors are more interested in large companies because they are more stable and have more access to funding both from internal and external source (Hendra, Koesharjono, & Priantono, 2018).

The maximum income is expected to boost company's profit. The huge profit gained by a company is expected to provide a higher profit return for its investor. Thus, it can be concluded that a company listed in large scale company can provide a higher profit return for the investor because of its better ability in funding and choosing investment sector compared to a relatively small scale company.

There are some measurements in categorizing firm size. One of the proxies used is the total asset owned by the company as the value of total asset normally is higher than its other accounts (Rahmawati et al., 2015). Firm size can be also represented by total asset, sale, and market capitalization. A large total asset owned by company may invite more capital to come, while a high sale profile speeds up cash flow in the company. A high market capitalization makes the company to gain reputation and popularity among people, it also shows that the company has good performance. Thus, the three variables can be used to measure scale of company.

Investment decisions are defined as a combination of assets in place and future investment options with a positive net present value. So companies with large total assets indicate a good cash flow and long term prospects (Hassan Al-Tamimi & Anood Bin Kalli, 2009).

Therefore, investors will be more speculated to choose large companies with the hope of obtaining high returns. Based on the signal theory, companies provide signals to investors in

the form of financial statements with total assets so that investors are interested in investing in the company. The size of the company raises a positive signal to investors (Connelly, Certo, Ireland, & Reutzel, 2011). It can be concluded that the size of the company has a positive influence on stock returns which have been confirmed by several prior studies for example, (Acheampong et al., 2014; Ayuba, Bambale, Ibrahim, Sulaiman, & Abdulwahab, 2019; Duy & Phuoc, 2016; Hidayat, 2016; Sudarsono & Sudiyatno, 2014).

Based on the signal theory and the results of previous studies, the following hypothesis is proposed:

H1: Firm size has influence on stock return.

The Influence of Market Risk on Stock Return

Significant changes in market conditions may affect sustainability and profitability of companies. The effect can be minimized if the problem is controllable by management. But, if the problem or situation is caused by external parties, the market situations can affect the financial situation of companies.

Market risk is a condition experienced by a company caused by changes in market conditions and external situations (Fahmi, 2017). Investors invest for anticipated future returns, but the returns can rarely be predicted precisely as the returns and investment are associated with risk (Acheampong et al., 2014). In making investment decision, an investor should not merely focus on profit, but also the risk factor. In each level of profit return expected by investor, there is a risk. The uncertainty of cash flow in the future can be linked to investment risk, whether it is systematic risk or unsystematic risk (Paramitasari, 2014).

The market risk can be measured using the beta coefficient (β), a variance of stock price toward uncertainty of market condition. An increase in market risk makes investors less interested in the stock. A greater beta stimulate a higher expectation toward the profit, and thus

increase the level of investment risk (as shown by its Beta coefficient). On the contrary, a low stock price also has effect toward future stock return, reduces the risk into a lower level.

There are several different results found by researchers, for instances (Al-Qudah & Laham, 2013; Chiang & Zhang, 2018; Koluku et al., 2015; Syahrin & Darmawan, 2018). They

uncovered that market risk have influence on stocks return.

H2: Market risk has influence on stock return.

Research Conceptual Framework

The theoretical framework scheme on the effect of firm size and market risk toward stock return can be seen in figure 1.

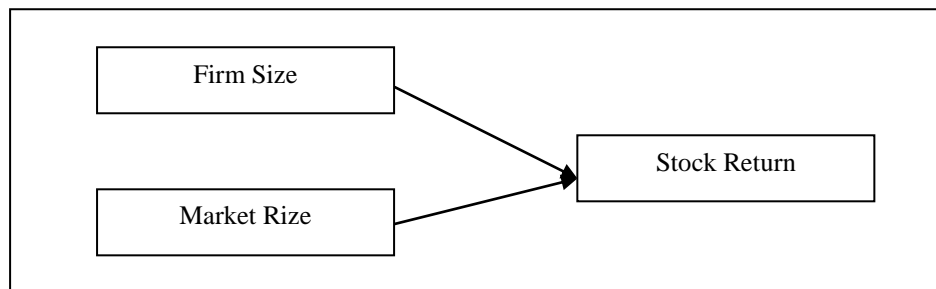


Figure 1. Theoretical Framework Scheme

3. Research Method

Sample

The panel data were used in this study, namely the combination of cross section and time series. The source of data used in this study was secondary data in Indonesia Stock Exchange. The documentation technique was used in this study to collect data from Indonesia Capital Market

Directory (ICMD) during the period of 2015 to 2017.

The population selected in this study is LQ45 companies during the period of 2015 to 2017. The sampling technique used in this study was purposive sampling by selecting samples based on criteria that meet the objective of the study. The criteria of the sample can be seen in table 1.

Table 1. The Sample Selection of Study

Criteria of Targeted Sample	Number of Firm
LQ45 companies during period of 2015-2017	270
Companies unlisted on LQ45 continously during the period of 2015-2017	0
Outliers data	14
Sampling	196

Source: Processed data (2019)

Operationalization of Variable

One of the proxies used to specify the firm size is through calculation of total asset owned by the company since the value of total asset normally is higher than its other accounts (Rahmawati et al., 2015).

The calculation of total asset can be done through the use of natural logarithm of the value

of asset. Mathematically, it can be formulated as follows:

$$\text{Firm Size} = \text{Log Total Aset}$$

The other independent variable used in this study is market risk, The systematic risk or market risk can be measured using Beta. The Beta can be used to measure business risk, funding risk, and

total leverage risk. The Beta used to measure systematic risk is related to the expected return. The profit return expected by investors is risk free level (Miswanto, 2013). The stock Beta can be calculated using following formula:

$$\beta_i \equiv \frac{N \sum XY - (\sum X)(\sum Y)}{N \sum X^2 - (\sum X)^2}$$

X= Market return

Y= Stock return (R_i)

N= Number of data

β= Beta

Dependent variable used in this research is the stock return, the stock return can be measured using the following formula:

$$RS = \frac{Pt - Pit - 1}{Pit - 1}$$

Rs : Stock Return

Pt : Stock price during t period.

Pt-1 : Stock price before t period

Model of Analysis

The panel regression analysis was used in this study. The data were processed using EVIEWS version 10 programmer. According to (Juanda & Junaidi, 2012), there are three approaches to perform the panel data regression:

- 1) Common Constant Model
- 2) Fixed Effect Model
- 3) Random Effect Model

To determine the model which will be used in panel data analysis, Chow and Hausmant tests were applied. The Chow test was performed to determine whether common effect or fixed effect model to be applied in this study, while Hausmant test was used to determine whether fixed effect or random effect to be applied in this study. The procedure for both tests are presented as follow:

- a) Chow test (to test between Common Effect and Fixed Effect models)

H_0 : The model refers to common effect.

H_1 : The model refers to fixed effect.

Decision: is rejected H_0 if the value of probability $< \alpha$.

Conclusion: If H_0 is rejected, thus the fixed effect model is preferred than common effect model.

- b) Hausman test (to test between Fixed Effect and Random Effect models)

H_0 : The model refers to random effect.

H_1 : The model refers to fixed effect.

Decision: is rejected H_0 if the value of probability $< \alpha$.

Conclusion: If H_0 is rejected, thus the fixed effect model is preferred than random effect model.

The panel data regression method was applied in this study. The equation was formulated as follows:

$$Y_{it} = a + b_1 X_{1it} + b_2 X_{2it} + e_{it}$$

In which :

- Y : Return (monthly)
- a : Constant/intercept (Y' value if , , = 0)
- b : regression coefficient (increasing or decreasing value)
- i : Companies listed on LQ45
- t : Year
- X_{1it} : Firm Size
- X_{2it} : Market Risk
- e (epsilon): Error rate

1) Partial Regression Coefficient Test

The test in this study was performed to investigate the partial influence of independent variable on dependent variable. The hypothesis test design was formulated as follow:

H_{01} : $\beta_1 = 0$; Firm size does not influence toward stock Return.

H_{a1} : $\beta_1 \neq 0$; Firm size has an influence toward stock Return.

H_{02} : $\beta_2 = 0$; Market risk does not influence toward stock Return.

H_{a2} : $\beta_2 \neq 0$; Market risk has influence toward stock Return.

2) Test of Simultaneous Regression Coefficient

The test was performed to determine the effect of independent variable simultaneously toward the dependent variable. The hypothesis design was formulated as follow:

$$H_0: \beta_1, \beta_2 = 0;=$$

The firm size and market risk simultaneously do not influence the stocks return.

Ha: At least, one of $\beta_i \neq 0$ ($i = 1, 2$)

The firm size and market risk simultaneously influence the stocks return.

The determination coefficient test (R^2) was used to determine to what extent the value of dependent variable can be explained by independent variable simultaneously. The value of coefficient determinant is between 0 and 1. A small value of (R^2) indicates a very limited ability of variables to explain dependent variable variation. The value which close to 1 indicates that independent variables provide almost all information needed to predict dependent variable.

4. Results and Discussions

This study was conducted to investigate the result of test and to analyze the influence of firm size and market risk on stock return of LQ45 companies. The firm size can be measured using natural logarithm of company total asset. The market risk can be measured using Beta. Stock return can be measured through comparison of stock price during t period and t-1 period.

The population in this study is LQ45 companies during the period of 2015 to 2017. The purposive population was selected using criteria that the companies were listed continually during the observation period and submitted a comprehensive financial report. Hence, this study consisted of 14 data outliers, therefore the outliers had been taken out of the samples. In addition to that, the samples of this study became 196 observation, the descriptive statistics in this study is shown in Table 2.

Table 2. Descriptive Statistic (N=196)

Variabel	Mean	Std. Dev.	Min.	Max.
Stock Return	0.0031	0.0785	-0.7081	0.6792
Firm Size	7.6036	0.5790	6.5325	9.0283
Market Risk	-0.1236	1.0562	-2.9859	2.8552

Source: Processed Data (2019)

Based on data shown in Table 2, the mean value of return stock of LQ45 companies during the observed years is 0.0031, the stocks price increased 0.31% hence value of LQ45 stocks return increased. The lowest value of stock return is -0.708, while the highest value of stock return is 0.1102. The spread out of variables is like the standard deviation of stock return variable is 0.0785 or 7.85% out of 196 observations. The mean score of firm size is 7.6036. It can be inferred that the averages companies observed having big size companies and also having good corporate performance. Thus, these companies are sustained in the sequence level of LQ45 in longer term during periods of observation. The lowest

value is 6.533 owned. while the maximum value is 9.028. The standard deviation of firm size variable is 0.5790. The mean value of market risk value is -0.1236 meaning that standard value of market risk tends to be a negative point, turning over of decreasing and increasing value market risk relatively depended on market fluctuation.

The smallest market risk value was -2.9859 during February 2017- July 20117 while the maximum value of market risk during Augustus 2016-January 2017 as much as 2.8552 with market risk data distribution as much as 1.0652. The analysis model used in this study was the regression panel data and can be done through three approaches, namely common effect model,

fixed effect model, and random effect model. Thus, to determine which model used to analyze panel data, the Chow and Hausman tests were performed. The Chow test was used to determine between common effect and fixed effect models. While the Hausman test was used to determine between fixed effect and random effect models.

The Result of Chow Test

The first step was to perform Chow test in determining which model to be used between common effect (pooled least square) and fixed effect. The result of Chow test is presented in Table 3.

H_0 : Common Effect Model

H_1 : Fixed Effect Model

Table 3. The Result of Chow Test

Effects Test	Statistic	d.f	Probability
Cross-section F	0.756906	(32.161)	0.8216
Cross-section Chi-square	27.468480	32	0.6954

Source: Processed data (2019)

Based on Table 3, it is found that the probability value for cross-section F is 0.8216. This value reflects that the probability value is higher than 0.05. Thus, H_0 is accepted while H_1 is rejected which indicates that common effect model is better than fixed effect model. Since this

study used common effect model, this describes the test that the model used remained in this stage, the study did not need to do further hausmant test model. The result of regression of panel data that has influence on *return* stock, firm size, and market risk can be seen in table 4.

Table 4. The Result of Data Analysis

Variabel	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.2120	0.7258	-2.9212	0.0039
X1	0.0284	0.0095	2.9850	0.0032
X2	0.0058	0.0052	1.1233	0.2627
R-squared	0.5131			
Adjusted R-squared	0.41418			
F-statistic	5.2194	Durbin-Watson Stat		2.0166
Prob (F-statistic)	0.0062			

Source: Processed data (2019)

Based on table 4 the regression equation can be formulated as follow:

$$Y_{it} = -0.2120 + 0.0284X_{1it} + 0.0058 X_{2it} + e_{it}$$

Based on table 4, it can be seen that the constant is -0.2120. The constant value marked with negative shows negative influence of independent variable (firm size and market value). It means that if the firm size and market value are considered constant, then stock return of the companies will decrease to 21.20%. The coefficient regression of firm size is 0.0284 which indicates that each 100% raise of firm size, it will

increase the stock return for about 2.84% with the assumption of the other independent variables is constant. The coefficient regression of market risk is 0.0058 which means that for each 100% raise of stock return, it will increase the value of market risk into 0.58% with the assumption of the other independent variables is constant.

The Result of Partial Hypotesis Test

The was performed to determine the partial influence of firm size, market value, toward stock (Y).

The Influence of Firm Size toward the Stock Return of Company.

The hypothesis of the firm size influence toward stock return (Y) is formulated as follow:

$H_{a1}: \beta_1 \neq 0$; the firm size has influence the stock return.

The Influence of Market Risk toward the Stock Return of Company.

The hypothesis of market risk influence toward the stock return (Y) is formulated as follow:

$H_{a2}: \beta_2 \neq 0$; The market risk has influence toward stock return.

Based on data shown in Table 4, the coefficient regression value on the market risk is 0.0058 and the probability value $0.2627 > 0.05$, This value indicates that $\beta_2 \neq 0$ Thus, H_{a2} is rejected. Market risk did not influence toward stock return.

The Result of Simultaneous Hypotesis Test

The hypothesis test that performed simultaneously to determine the influence of independent variables (firm size and market risk) toward dependent variable (stock return). Based on table 4, it can be seen that the F-statistic $0.0062 < 0.05$ and the regression coefficient value of firm size 0.0284 and market risk, 0.0058 are not equal to zero ($\beta_i \neq 0, i=1,2$), it indicates that H_a is accepted which means that firm size and market risk simultaneously have influence toward the return of LQ45 companies stock that listed in Indonesia Stock Exchange. Based on the data in Table 4, it shows that the value of *adjusted R-Square* is 0.4148 or 41.48%, It means that 41.48% changes in the stock return can be explained by firm size and market risk, while the rest of 58.52% is influenced by other variables that was not used in this study.

The Influence of Firm Size toward Stock Return Company

Based on the first hypothesis test, the value of coefficient regression on the firm size is 0,0284

and the probability value $0.0032 < 0.05$ it showed that the firm size has positive influence toward stock return. This number shows that the larger company the higher level of trust given by investor in investing their investment to the company.

This level of trust which makes investor interest toward stock demand to increase that leads to the increase of stock price. This condition will help company to gain more capital and to be able to increase its total asset. The huge total asset owned by the company makes them to be able to get loan by using its asset as the mortgage. The large number of total asset can also make the company management easier and has more freedom to run the business.

The freedom in doing business to make maximum profit for the company is expected to benefit the company to get better liquidity to resolve their debt. The other benefit from this maximum profit lies on the higher dividend return for the investors. The high dividend return to investor is the best answer for investor expectation to get the maximum profit from the investment. On the contrary goes for the company that has a little total asset.

This finding is in agreement with the study conducted by Ayuba et al., (2019), Duy & Phuoc (2016), Ismanto, (2011) and Sudarsono & Sudiyatno (2014) who found that the firm size has influence toward the stock return. While Abdullahi et al., (2011) and Yani & Emrinaldi (2014) described firm size did not influence stocks return.

The Influence of Market Risk toward Stock Return

Based on the hypothesis, the coefficient regression value on the market risk is 0,0058 and the probability value $0.2627 > 0.05$, This value indicates that market risk did not influence toward stock return. This situation showed that stock returns in LQ 45 companies are not influenced by market risk. because LQ 45 is a group of liquid companies. Moreover, it has a small risk so

investors do not consider market risk in expecting stock returns. This study is in line with the research conducted by Pamane & Vikpossi (2014) and Wijaya & Djajadikerta (2017) described market risk did not influence stocks return, but different with researchs by Koluku et al., (2015) Nugroho & Sukhemi (2015) and Syahrin & Darmawan (2018) who claimed that Beta stock variable partially has influence toward stock return.

The Influence of Firm Size and Market Risk toward Stock Return of Company

The simultaneous test (F statistic) was performed to determine the influence of firm size and market risk toward return stock. Based on Table 5, it can be seen that significant level is less than 0.05 which F- statistic indicated 0.0062 ($0.0063 < 0.05$).

This means that H_a is accepted. Each independent variable has influence toward dependent variable, that is the decision of company investment with coefficient regression value + 0.0284 - 0.0058 The firm size and market risk have coefficient regression value which is not equal to 0 ($b_i \neq 0$; $b_i = 1, 2$).

Thus, it can be concluded that both the firm size and market risk simultaneously has influence toward stock return. It means that the firm size and market risk elements in this study are able to ensure investor that before to make investment, it is required to consider the scale of company and risk ratio to earn the level of stock return as what they have expected. To test the simultaneous influence, the adjustment coefficient determination test ($Adj R^2$). Was performed. If ($Adj R^2$) then the firm size and market risk has simultanous influence toward stock return. Based on Table 5, the value of 0.05137. atau 5.14%.

This finding is in line with the result of study conducted by (Koluku et al., 2015) that showed firm size and market risk factors have influence toward stock return. But, Ismanto (2011) in his study claimed a different result that showed the

firm size and market risk do not have simultaneous influence toward stock return.

5. Conclusion

This study is intended to investigate the influence of firm size and market risk toward stock return in LQ45 companies during the period of 2015 to 2017. Based on the hypothesis test and discussion, can be concluded that, the firm size has influence toward stock return of the companies listed on LQ 45 during the period of 2015-2017 in positive way toward stock return. While the market risk did not influence toward stock return of the companies listed on LQ 45 during the period of 2015-2017. Firm size and market risk has simultaneous influence toward stock return of the companies listed on LQ 45 during the period of 2015-2017.

The Limitation of research the subject of this study was limited on companies listed on LQ 45 with the limited period of research. The variable being tested in this research regarding its influence toward stock return are only two variable i.e. firm size and market risk. The variable chosen in this study only used one proxy in its measurement. In this study, there are some suggestions, which can be stated, for investors or anyone who are willing to be investor in capital market, it is suggested to consider this research finding as an additional reference in selecting investment option to earn maximum profit (stock return). For further researcher, it is suggested that to use different objects and to include more observation during a longer period of time. For further research, it is suggested to use different proxy to measure the firm size and market risk which is likely to produce a different result.

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